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**FISCAL IMPACT STATEMENT**

**LS 6117**

**BILL NUMBER:** SB 251

**NOTE PREPARED:** Jan 19, 2007

**BILL AMENDED:**

**SUBJECT:** Notification of Auto Insurance Cancellation.

**FIRST AUTHOR:** Sen. Kruse

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill requires an insurer to notify the Bureau of Motor Vehicles (BMV) if a motor vehicle insurance policy is canceled before the expiration date of the policy. It requires the BMV to revoke the operator's license of a person who was a policyholder under a canceled policy if the person fails to inform the BMV of how the person will maintain financial responsibility on the person's vehicle after canceling the policy, unless the person receives an exemption from the BMV.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** The Bureau of Motor Vehicles will incur costs, depending upon implementation. In 2005, the BMV estimated the cost for an insurance notification program at approximately \$827,000, adjusted for inflation. With 4.9 million registered vehicles, the per-registered-vehicle cost would amount to \$0.17. Four other states that had implemented a similar type of program were surveyed, and the per-vehicle costs for start-up ranged from \$0.017 to \$0.32, and for ongoing costs ranged from a low of \$0.07 per registered vehicle to a high of \$0.54 per registered vehicle.

Applying these estimates to the number of registered vehicles in Indiana, start-up costs could range from \$81,000 to \$1.6 M, and ongoing costs could range from approximately \$360,000 to \$2.7 M.

*Background Information:* Following is a brief overview of the states surveyed, along with the number of registered vehicles and the associated costs.

The state of Oklahoma has a compulsory insurance program. The program can be utilized by law enforcement at the point of contact. In addition, the program can be utilized by agencies which issue plates at the time of registration. Oklahoma has approximately 3.7 million vehicles. The initial start-up costs for

Oklahoma totaled approximately \$61,300, with annual on-going costs estimated at \$271,000, or about \$0.07 per registered vehicle.

Texas meanwhile has implemented a financial responsibility verification program. This program was awarded to a vendor through competitive bidding. The start-up costs for Texas amount to \$5.6 M, with annual on-going costs at \$3.7 M. With 17.5 million registered vehicles in Texas, the per-registered-vehicle cost amounts to approximately \$0.32 for the first year and approximately \$0.21 in years thereafter.

The state of New York reports that the implementation costs for their insurance verification program in FY 2000 amounted to \$4.5 M paid to an outside vendor. With 11.9 million vehicles, the per-registered-vehicle cost amounts to \$0.38.

Utah began an insurance verification program and spent \$1.2 M to implement and administer the system when the reporting program was initiated in 1995. With 2.2 million vehicles, the per-registered-vehicle cost amounts to \$0.54.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Bureau of Motor Vehicles.

**Local Agencies Affected:**

**Information Sources:** Melissa Mallett, Texas Department of Insurance, 1-800-252-3439; Ronnie Jarmon, Oklahoma Department of Public Safety, 405-521-2450. Jane Morrical, Director of Treasury, Bureau of Motor Vehicles, 317-232-2822; Insurance Committee on Insurance Verification.

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